GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:457
ANSWERED ON:23.08.2001
MAKING STATE POWER UNITS COMMERCIALLY VIABLE
NEDURUMALLI JANARDHANA REDDY

Will the Minister of POWER be pleased to state:

(a) whether attention of the Government has been drawn to the news-item captioned `Move to make State Power units Viable` as reported in the Statesmen dated July 15, 2001;

(b) if so, whether the Union Government have started compilation of detailed accounting data of all State power utilities to make each of them commercially viable for private investors;

(c) if so, the details thereof;

(d) the time by which the task of compilation of detailed accounting data is likely to be completed; and

(e) the details of other steps likely to be taken to make State power units viable?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO. 457 TO BE ANSWERED IN THE LOK SABHA ON 23.08.2001 REGARDING MAKING STATE POWER UNITS COMMERCIALLY VIABLE.

(a) : Yes, Sir.

(b) to (d) : Power Finance Corporation (PFC) has asked the Institute of Chartered Accountants of India (ICAI) to carry out a review of the existing accounting systems of the State Electricity Boards. The terms of reference of the assignment are :

(i) To review the existing format of annual account and suggest a new format keeping in view the best accounting practices and disclosure requirements in a dynamic context.

(ii) To review the Electricity (Supply) Annual Accounts Rules 1985 and suggest, if needed, separate accounting Rules for SEBs and other entities involved in generation, transmission and distribution of electricity and their alignment with Accounting Standards evolved by ICAI.

The study is expected to be completed in two months.

(e) : Union Government have held a number of conferences with Chief Ministers/Power Ministers discuss to various issues of power sector including working of SEBs.

The Conference of Chief Ministers/Power Ministers held on 3.3.2001 recognised that the real problem of management and the challenge of power sector lies in the distribution sector and resolved that:

(i) Energy audit at all 11 KV feeders must be made effective within the next 6 months and accountability fixed at the local level.

(ii) An effective Management Information System for this purpose needs to be made operational.

(iii) On the basis of the above, an effective program needs to be launched for identifying and eliminating power thefts in the next 2 years.

(iv) Full metering of all consumers had been targeted for completion by December 2001. Special efforts should be made to complete the programme.

(v) The quality of power supplied especially in rural areas needs to be improved through the APDP and other programmes quickly.

(vi) Commercial viability has to be achieved in distribution in 2-3 years through any or all of the following:

- Creating Profit centres with full accountability,
- Handing over of local distribution to Panchayats/Local Bodies/ Franchisees/Users Associations, wherever necessary,
- Privatisation of distribution,
- Or any other means.

(vii) Efforts by States, if necessary, at inviting private investment in the power sector need to be focused on the distribution sector.

(viii) Current operations in distribution would need to reach break even in two years and achieve positive returns thereafter.

The Government of India is also signing MOUs on reforms with States whereby the States commit to achieve definite milestones to reduce T&D losses, eliminate theft, improved billing and collection, setting up of functional State Electricity Regulatory Commissions (SERCs) etc. The Government of India offers financial support through the Accelerated Power Development Programme (APDP) and incentives in the form of additional allocation of power from unallocated share of central pool etc. So far 17 States have signed MOUs.